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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

2006 NOV 15 P 3:52

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MIKE GLEASON
KRISTIN K. MAYES
BARRY WONG

AZ CORP COMMISSION
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION OF
ARIZONA PUBLIC SERVICE COMPANY FOR A
HEARING TO DETERMINE THE FAIR VALUE
OF THE UTILITY PROPERTY OF THE
COMPANY FOR RATEMAKING PURPOSES, TO
FIX A JUST AND REASONABLE RATE OF
RETURN THEREON, TO APPROVE RATE
SCHEDULES DESIGNED TO DEVELOP SUCH
RETURN, AND TO AMEND DECISION NO.
67744.

DOCKET NO. E-01345A-05-0816

IN THE MATTER OF THE INQUIRY INTO THE
FREQUENCY OF UNPLANNED OUTAGES
DURING 2005 AT PALO VERDE NUCLEAR
GENERATING STATION, THE CAUSES OF THE
OUTAGES, THE PROCUREMENT OF
REPLACEMENT POWER AND THE IMPACT OF
THE OUTAGES ON ARIZONA PUBLIC
SERVICE COMPANY'S CUSTOMERS.

DOCKET NO. E-01345A-05-0826

IN THE MATTER OF THE AUDIT OF THE FUEL
AND PURCHASED POWER PRACTICES AND
COSTS OF THE ARIZONA PUBLIC SERVICE
COMPANY.

DOCKET NO. E-01345A-05-0827

STAFF'S NOTICE OF FILING

Staff of the Arizona Corporation Commission hereby provides notice of filing the Testimony
Summary of Matthew J. Rowell in the above-referenced matter.

RESPECTFULLY SUBMITTED this 15th day of November, 2006.

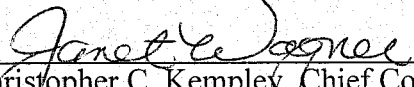
Arizona Corporation Commission

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SUMMARY OF TESTIMONY
STAFF WITNESS
Matthew Rowell

ARIZONA PUBLIC SERVICE COMPANY
DOCKET NO. E-01345A-05-0816

Direct Testimony:

Staff is recommending that the Commission not adopt APS' proposed Environmental Improvement Charge for the following reasons:

- The EIC would collect revenues from ratepayers based predominantly upon estimated rather than incurred costs.
- The EIC appears to be unique.
- The EIC would include costs that will not be incurred for several years beyond the Test Year.
- The EIC would include funding for projects before they are mandated to be installed on APS' system.
- Regulatory mandates typically build in construction lead times to provide industry sufficient time to comply with mandated regulatory requirements.
- The EIC is derived based upon multiple year revenue requirements that increase the complexity of auditing the charge in the context of future general rate cases and annual EIC reset proceedings.
- The effect of the EIC on APS' interest expense is unclear.
- The annual reset of the EIC could be implemented without Commission approval under APS' proposal.
- The EIC does not address the fundamental financial challenges that APS has identified.
- The environmental impact of implementing the EIC is unclear.

Surrebuttal Testimony:

Staff's surrebuttal testimony on the EIC provides minor clarifications of Staff's position in response to the rebuttal testimonies of APS witnesses Mr. Fox and Mr. DeLizio.